

Message Text

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C O N F I D E N T I A L EC BRUSSELS 01778

E.O. 11652: GDS
TAGS: EEC, CSCE, OREP (OLIVER, R. SPENCER)
SUBJECT: EC COMMISSION PAPER ON CSCE BASKET 2 RECIPROCITY

REF: EC BRUSSELS 1212

1. DURING FEBRUARY 7 DISCUSSION, EC COMMISSION OFFICIAL KAWAN PROMISED TO PROVIDE STAFFDEL OLIVER WITH A COMMISSION PAPER, PREPARED JUST AFTER THE GENEVA ROUND OF CSCE TALKS, ON RECIPROCITY AS AN ELEMENT OF BASKET 2 DEBATE (REFTEL). THE COMMISSION HAS NOW PROVIDED US THIS DOCUMENT, TRANSLATION OF WHICH IS SET FORTH BELOW. ORIGINAL FRENCH VERSION ALSO BEING POUCHED TO EUR/RPE (SWARTZ) FOR TRANSMISSION TO CSCE COMMISSION STAFF:

2. BEGIN TEXT:
CSCE: BASKET II PROBLEMS
RECIPROCITY
A SINGLE BASIC PROBLEM REMAINS TO BE RESOLVED IN
THE ECONOMIC BASKET OF THE CONFERENCE: THE INSERTION
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INTO THE TEXTS OF THIS BASKET (PREAMBLE, TEXT ON TRADE) OF
A SATISFACTORY REFERENCE TO THE PRINCIPLE OF RECIPROCITY
AS AN EFFECTIVE BASIS FOR TRADE.

3. IMPORTANCE OF THE CONCEPT OF EFFECTIVE RECIPROCITY
EAST AND WEST HAVE NOW TRIED FOR TWENTY YEARS TO
FIND A BASIS FOR THEIR COMMERCIAL RELATIONS, SINCE MFN

TREATMENT CANNOT BE THAT BASIS, GIVEN THE DIFFERENT CONDITIONS OF THEIR ECONOMIC SYSTEMS. IN 1963 A WORKING GROUP OF THE ECONOMIC COMMISSION FOR EUROPE PUT FORWARD THE IDEA OF EFFECTIVE RECIPROCITY, WHICH HAS REMAINED THE FUNDAMENTAL BASIS FOR WESTERN IDEAS SINCE THAT TIME (TRADE/140/ECE FOR 1963-PARAS 2-24, PAGE 12).

4. STATES WITH PLANNED ECONOMIES HAVE ALWAYS STRESSED CONDITIONS OF EQUALITY AND MUTUAL ADVANTAGES --EQUALITY TO COUNTER SPECIFIC POLICIES CARRIED OUT BY WESTERN STATES; MUTUAL ADVANTAGE AS AN ESSENTIALLY SUBJECTIVE CONCEPT. IN THIS REGARD, MARKET ECONOMY STATES HAVE ALWAYS OPPOSED THE CONCEPT OF ACTUAL EQUIVALENCE OF ADVANTAGES RECEIVED AND OF OBLIGATIONS INCURRED; IN OTHER WORDS, IN ORDER TO ATTAIN THE MUTUAL SATISFACTION CALLED FOR BY THE EAST, RECIPROCITY MUST HAVE AN OBJECTIVE CONTENT. FOR EXAMPLE, IN RETURN FOR TARIFF CONCESSIONS ON THEIR PART, THE WESTERN STATES ASK THAT THE EAST ACTUALLY COMMIT ITSELF TO CERTAIN CONCRETE OBLIGATIONS IN THE TRADE SECTOR (PURCHASE AND DELIVERY AGREEMENTS, OPENING OF OFFICES, OTHER SPECIAL MEASURES ...) TARIFFS BEING NONEXISTENT IN EASTERN STATES, OR HAVING BEEN SPECIALLY CREATED FOR BARGAINING PURPOSES, AN EXACT AND LITERAL RECIPROCITY WOULD BE OF NO VALUE TO THE WEST.

5. CURRENT SITUATION

IN AGREEMENTS WITH WESTERN STATES, THE EAST REFUSES TO REFER TO THE CONTENT OF RECIPROCITY; THEY SPEAK

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ALWAYS OF "MUTUAL SATISFACTION," WHICH MEANS NOTHING IN THE ABSENCE OF AN OBJECTIVE CONCEPT, ON WHICH THIS SATISFACTION WOULD BE BASED. IN THE GATT, THE EASTERN STATES DEMAND FROM THE WEST EVERY POSSIBLE CONCESSION (TARIFF CONCESSIONS, EXEMPTIONS) WITHOUT OFFERING ANYTHING IN RETURN. IN THE CSCE, THE EAST IS TAKING A VERY HARD ATTITUDE TOWARDS EVERY DEFINITION OF THE CONTENT OF RECIPROCITY; THIS HARD STAND, BY ITSELF, IS THE PROOF OF THE IMPORTANCE WHICH MUST BE ATTACHED TO THIS CONCEPT. THE EAST USES THE FOLLOWING ARGUMENTS (THE COUNTER-ARGUMENTS ARE INDICATED IN BRACKETS):

(A) THE CONCEPT OF EQUIVALENCE HAS NEVER FIGURED IN EAST/WEST AGREEMENTS (EVEN IF THE NOTION HAS NOT FIGURED AS SUCH, NUMEROUS AGREEMENTS AND OTHER DOCUMENTS ARE BASED DE FACTO ON THE NECESSITY TO TAKE INTO ACCOUNT THE DIFFERENCES BETWEEN ECONOMIC STRUCTURES IN ASSURING A BALANCE BETWEEN CONCESSIONS ON BOTH SIDES).
(B) IT IS NOT NECESSARY TO BREAK NEW GROUND IN THE CSCE FRAMEWORK NOW THAT EVERYTHING IS GOING MORE OR LESS

WELL (BUT, AS HAS BEEN SEEN, THIS IS NOT A NEW CONCEPT; IT IS PRECISELY THE FUNCTION OF THE CSCE TO INNOVATE IN ESTABLISHING THE FUNDAMENTAL PRINCIPLES FOR EAST/WEST RELATIONS).

(C) THE CONCEPT IS AMBIGUOUS, NO ONE WILL UNDERSTAND IT (ON THE CONTRARY, THE CONCEPT IS VERY CLEAR; IT IS ONLY IN SEEKING A DEFINITION ACCEPTABLE TO THE EASTERN STATES THAT DIFFICULTIES ARE ENCOUNTERED).

6. CONCLUSIONS

THE TIME HAS COME WHEN, AFTER TWENTY YEARS OF DISCUSSION, EAST/WEST COMMERCIAL RELATIONS SHOULD BE CARRIED OUT ON A NEW BASIS TYING BOTH SIDES TO BALANCED OBLIGATIONS AND ADVANTAGES. IN THE FRAMEWORK OF THE CONFERENCE, IT IS NOW OR NEVER FOR THE CRYSTALLIZATION OF A CONCEPT WHICH SHOULD PLAY AN ESSENTIAL ROLE IN FUTURE RELATIONS BETWEEN THE COMMUNITY AND THE COUNTRIES IN QUESTION. IT IS CONFIDENTIAL

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ADVISABLE TO UNDERLINE THAT RECIPROCITY ON THE BASIS OF EQUIVALENCE FIGURES AS THE FIRST POINT IN THE FRAMEWORK TRADE AGREEMENT TRANSMITTED AT THE END OF 1974 TO THE STATE-TRADING COUNTRIES, AND WHICH FORMS OUR MANDATE FOR FUTURE NEGOTIATIONS. END TEXT. JOHNSTON

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